

APPENDIX A2.4

ILLUSTRATIVE PROGRAM SPECIFIC EXAMINATION SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

XYZ CHILD DEVELOPMENT, INC.

FOR THE PERIOD FROM JUNE 27, 19X9 TO SEPTEMBER 2, 19X9

XYZ Child Development, Inc.

For the Period From June 27, 19X9 to September 2, 19X9

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XYZ Child Development, Inc.

GENERAL INFORMATION

For the Period From June 27, 19X9 to September 2, 19X9

1. Full official name of the Sponsor XYZ Child Development, Inc.
2. Program name and agreement number:

California Department of Education, Summer Food Service Program,
Agreement No.xxxx-xT
3. Type and Description of agency Tax-exempt, Nonprofit
corporation providing residential summer camps and school vacation programs for the
feeding of children meals prepared by the Sponsor.
4. Address of agency headquarters1000 N. Main Street
Smalltown, CA 9xxxx
5. Names and address of Executive Director
and name of Chief Executive Officer, Business
Officer, or Accountant

Executive Director Gina Anonymous
2000 S. Child Drive
Smalltown, CA 9xxxx

Business Officer Joe McNice
6. Telephone number(916) 555-1212
7. Period covered by examination June 27, 19X9 through September 2, 19X9
8. Number of days of Sponsor operation 67 days
9. Scheduled hours of operation each day 7:00 a.m to 7:00 p.m

Independent Accountant's Report

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying claims for reimbursement submitted by **XYZ Child Development, Inc.** a sponsor under the Summer Food Service Program for Children(SFSPC) (Sponsor Agreement No. xxxx-xT) as summarized in the Statement of Claim for the period from June 27, 19X9 through September 2, 19X9.

Our examination was made in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, dated March 5, 1999, for examinations of this program.

In our opinion, the aforementioned claims present fairly, in all material respects, the number of meals and/or supplements eligible for reimbursement for the period June 27, 19X9 through September 2, 19X9.

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 19X9, on our consideration of **XYZ Child Development, Inc.'s** internal control over financial reporting and our tests of SFSPC compliance with certain provisions of laws, regulations, contracts and grants. Specific comments are presented in Exhibit D of the supplementary information of this report.

This report is intended for the information of the audit committee, management and federal SFSPC awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

A2.4-2

XYZ Child Development, Inc.

STATEMENT OF CLAIM

Agreement No.: xxxx-xxT
19X9 Summer Food Service Program for Children
For the Period June 27, 19X9 to September 2, 19X9

Program Costs:

Cost of meal service (Exhibit A)	\$ 418,683	
Administrative costs (Exhibit B-1)	<u>32,501</u>	
Total Program Costs		\$ 451,184

Program Payments Received:

Start-up payments	\$ 3,000	
Advance payments	10,000	
Claim for Reimbursement - June 19X9	12,081	
Claim for Reimbursement - July 19X9	258,839	
Other Income ¹	<u>2,000</u>	
Total Program Payments Received		\$ <u>285,920</u>

<u>Program Payments Due From the California</u> <u>Department of Education</u>	<u>\$ 165,264</u>
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A2.4-3

Accountant's Letterhead

¹ This represents income accrued from monies received from Federal, state, local governments, food sales to adults, cash donations and grants, and all other non-Program payments.

Independent Accountant' s Report on Supplementary Information

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying Claims for Reimbursement submitted by **XYZ Child Development, Inc.** under the Summer Food Service Program for Children (SFSPC) (Sponsor Agreement No. xxxx-xxT) as summarized in the Statement of Claim for the period from June 27, 19X9 through September 2, 19X9, and have issued our report dated September XX, 19X9.

Our examination was made for the purpose of forming an opinion on the aforementioned claims of **XYZ Child Development, Inc.** taken as a whole. The accompanying supplementary information in Exhibits A through F is presented on pages A2.4-5 through A2.4-16 for purposes of additional analysis and is not a required part of the Statement of Claim. The information in those exhibits has been subjected to the examination procedures applied in the examination of the Statement of Claim and, in our opinion, is fairly presented in all material respects, in relation to the claims for reimbursement as summarized in the Statement of Claim taken as a whole.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.

Schedule of Meals Served and Cost of Meal Service

Agreement No.: xxxx-xxT

19X9 Summer Food Service Program for Children
For the Period June 27, 19X9 to September 2, 19X9

	Meal Type				
Meals Served:	Breakfast	Lunch	Supplements	Supper	Total
June 27, 19X9 to Sept.2, 19X9	3,980	13,827	8,740	125	26,672
July 1, 19X9 to July 31, 19X9	64,873	217,284	101,283	1,050	384,490
Aug. 1, 19X9 to Sept. 2, 19X9	58,507	193,084	95,274	750	347,615
Total of Meals Served as reported by Sponsor on Claims for Reimbursement	127,360	424,195	205,297	1,925	758,777
<u>Less:</u> Meals Disallowed - meal violation notices received from NSD	(251)	(2,336)	(710)	(150)	(3,447)
<u>Less:</u> Meals Disallowed by auditor for program violations	(116)	(9,217)	(501)	(210)	(10,044)
Net Meals Served	126,993	412,642	204,086	1,565	745,286
<u>Maximum Potential Reimbursement for Meal Service</u>					
Net Meals Served	126,993	412,642	204,086	1,565	745,286
Maximum Reimbursement per Meal (maximum rate for all SDA minus Admin. Monies) ¹	\$ 1.190	\$ 2.080	\$.480	\$ 2.080	
Maximum Potential Reimbursement	\$ 151,122	\$ 858,295	\$ 97,961	\$ 53,255	\$ 1,110,633

Food ²	\$ 382,873
<u>Less:</u> Adjustment for Meals Disallowed	<u>8,774</u>
Net Food Cost	374,099
Labor	31,913
Facility	10,523
Non-Food	<u>2,148</u>
Cost of Meal Service	\$ <u>418,683</u>

Footnote Disclosure: The cost of all disallowed meals above did not exceed the Sponsor's approved level of service.

A2.4-5

¹ Current rates in accordance with current regulations.

² Commodities are excluded.

XYZ Child Development, Inc.

**Statement of Budgeted Administrative Expenses
And Actual Administrative Expenses**

Agreement No.: xxxx-xxT
19X9 Summer Food Service Program for Children
For the Period June 27, 19X9 to September 2, 19X9

	Budgeted	Actual	Over (under) Budget
Management Salaries	\$ 5,600	\$ 5,600	\$ 0
Monitor Salaries	9,700	9,604	(96)
Clerical Salaries	5,100	5,250	150 ¹
Fringe Benefits	1,800	1,896	96 ²
Total Personnel Cost:	\$ 22,200	\$ 22,350	\$ 150
Transportation	3,200	2,575	(625)
Communication	2,000	1,738	(262)
Office Rental	2,600	2,560	(40)
Office Supplies	400	387	(13)
Office Equipment Rental	1,400	1,412	12 ³
Auditing Fees	1,000	1,000	0
Other Program Cost	500	479	(21)
Total Non-personnel:	\$ 11,100	\$ 10,151	\$ (949)
Total Administrative Cost:	\$ 33,300	\$ 32,501	\$ (799)

A2.4-6

¹ Employed one temporary employee for one week because of emergency sick leave.

² State of California legislation increased the employer's share of benefit cost.

³ Program required the rental of a copy machine.

XYZ Child Development, Inc.

Calculation of Maximum Allowable Administrative Costs

Agreement No.: xxxx-xxT

19X9 Summer Food Service Program for Children
For the Period June 27, 19X9 to September 2, 19X9

Calculation of Maximum Allowable Administrative Costs:

Meal Type	Net Meals Served Per Exhibit A	Administrative Rate Per Meal¹	Maximum Allowable Administrative Costs
Breakfast	126,993	\$.1175	\$ 14,922
Lunch	412,642	.2175	89,750
Supplements	204,086	.0600	12,245
Supper	1,565	.2175	340
Maximum Allowable Administrative Costs			\$ 117,257
Administrative Costs Claimed by Sponsor			32,501
Excess Administrative Costs Over Maximum Allowable			\$ 0

A2.4-7

¹ Rates used are in accordance with current regulations.

Exhibit C:

XYZ Child Development, Inc.

Schedule of State Disallowance Notices

Agreement No.: xxxx-xxT

19X9 Summer Food Service Program for Children

For the Period June 27, 19X9 to September 2, 19X9

The CNFDD issued disallowance notices to the Sponsor, XYZ Child Development, Inc., as follows:

DATE	SITE	MEAL	NUMBER DISALLOWED		
7/5	Penny Street	Lunch	816		
7/7	Grace Church	Supplement	710		
7/12	Pine Street	Breakfast	251		
7/20	Grove Street	Supper	150		
8/3	Camden Hall	Lunch	414		
8/17	Pine Street	Lunch	731		
8/18	Lakeside Elementary	Lunch	375		
Total Meals Disallowed			3,447		
By type:	Breakfast	Lunch	Supplement	Supper	Total:
Number:	251	2,336	710	150	3,447

Accountant's Letterhead

Exhibit D:

XYZ Child Development, Inc.

**Summary of Compliance with Federal Regulations
and Program Guidelines**

Agreement No.: xxxx-xxT

19X9 Summer Food Service Program for Children
For the Period June 27, 19X9 to September 2, 19X9

GENERAL

XYZ Child Development, Inc. was approved by California Department of Education's (CDE) Nutrition Services Division(NSD) to sponsor the Summer Food Service Program for Children (SFSPC) by Agreement number xxxx-xxT, dated June 1, 19X9. The purpose of the program is to provide nutritional help to children who would otherwise be deprived of the food assistance they would normally receive at other times of the year under the National School Lunch Program. Meals were served to children at sites organized and operated by **XYZ Child Development , Inc.**

SCOPE

Our examination was made in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, dated March 5, 1999, for examinations of this program.

As part of our examination, we performed tests in accordance with the compliance testing procedures as set forth in the above Audit Guide.

EXIT CONFERENCE

An exit conference was held at **XYZ Child Development, Inc.**, 1000 N. Main Street, Smalltown, CA 9xxxx, on September XX, 19X9. Attending were:

For the Sponsor:

Gina Anonymous
Executive Director

For the Accountant:

Bean, Bean & Counter
Certified Public Accountants

EXAMINATION OBJECTIVES

The following were the objectives of our examination:

1. To evaluate internal controls to assure the integrity of accounting records and compliance with program regulations.
2. To determine that the sponsor complies with procurement provisions of the program regulations.
3. To express an opinion as to whether the sponsor's Statement of Claim presents fairly the reimbursement claimed for the SFSPC in conformity with prescribed accounting procedures and program guidelines, as follows:
 - To determine that procedures provided effective controls over cash received.
 - To determine that meals reported by the sponsor as served to children are supported by site reports from all properly approved and operating food service sites, signed by the site supervisor.
 - To determine that documentation was adequate to support all food, costs reported on the claims for reimbursement. Food costs must be allowable and allocable to the SFSPC.
 - To determine that labor costs were adequately documented. Labor costs must be allowable and allocable to the SFSPC.
 - To determine that administrative costs were incurred solely for program administration and were eligible for reimbursement.

INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

The objective of internal accounting and administrative controls is to provide reasonable, but not absolute assurance as to (1) the accuracy of records for preparation of financial reports, and (2) compliance with regulations and guidelines.

In our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed in Federal Regulations and the U.S. Department of Agriculture guidelines, except as follows:

XYZ Child Development, Inc.

1. Finding:

Recommendation:

Sponsor's Comment:

Impact on Claim:

2. Finding:

Recommendation:

Sponsor's Comment:

Impact on Claim:

3. Finding:

Recommendation:

Sponsor's Comment:

Impact on Claim:

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.

SPONSOR VISIT

Agreement No.: xxxx-xxT

19X9 Summer Food Service Program for Children

COMPLIANCE QUESTIONNAIRE

(Completed at the Sponsor)

FOR THE PERIOD: June 27, 19X9 to September 2, 19X9SPONSOR'S NAME: XYZ Child Development, Inc.ADDRESS: 1000 N. Main Street, Smalltown, CA 9xxxxDATE: August 1, 19X9 TIME: 8:30 amINDEPENDENT AUDITOR: Bean, Bean & Counter, C.P.A.'s

	YES	NO	N/A	COMMENTS
1. (SUMMARY) Is sponsor operating the program in accordance with program requirements?				
2. Did sponsor visit each of its sites at least once during the first week of Program operation?				
3. Did sponsor review food service operations at each site at least once during the first four weeks of Program operations?				
4. Did sponsor maintain a reasonable level of site monitoring?				
5. Did sponsor annually announce (in the media) the availability of free meals?				
6. Does sponsor contract with a food service management company?				
7. Did sponsor comply with the competitive bid Procedures as required?				
8. Did sponsor claim for reimbursement under parts 210, 215, 220 or 226 at the same sites for the same meals served under the SFSPC?				
9. Did sponsor contract out for management Responsibilities?				

	YES	NO	N/A	COMMENTS
10. Did sponsor utilize either its own food service Facilities or obtain meals from a school food service facility?				
a. Is there an agreement between the sponsor and the school?				
11. Did sponsor plan for and prepare order meals On the basis of participation trends with the objective of providing only one meal per child at each meal service?				
12. Were meals ordered or prepared in excess of Sites approved level?				
13. Do records justify all costs and meals claimed?				
13. Did sponsor comply with the competitive bid procedures as required?				
14. Did sponsor hold Program training for its administrative and site personnel?				
15. Did training include: a. The purpose of the Program? b. Site eligibility? c. Recordkeeping? d. Site operations? e. Meal pattern requirements? f. The duties of a monitor?				
16. If the sponsor is a private nonprofit organization, did it certify that it: a. Serves no more than 25 sites, regardless of the location of the sites, (i.e., urban or rural)? b. Serves no more than 300 children at any site, or not more than 500 with a waiver granted by the California NSD?				
17. Does the sponsor maintain a daily count of all meals by type for all sites?				

	YES	NO	N/A	COMMENTS
<p>18. Upon review of the sponsor's meal count records, are there any noticeable meal counting patterns that indicate that accurate meal counts are not taken by the site supervisors, such as:</p> <p>a. The same meal counts every day?</p> <p>b. Excess and/or second meals only on NSD or sponsor review days?</p> <p>c. Meal count totals are in multiples of 5?</p>				

Other Comments:

XYZ Child Development, Inc.

SITE VISIT

Agreement No.: xxxx-xxT
 19X9 Summer Food Service Program for Children

COMPLIANCE QUESTIONNAIRE(Completed at the Site, **Unannounced**, before service begins)FOR THE PERIOD: June 27, 19X9 to September 2, 19X9SPONSOR'S NAME: XYZ Child Development, Inc.

SITE NAME/CODE ADDRESS OF SITE: Penny Street, # 101
1650 Penny Street, Smalltown, CA 9xxxx

DATE: August 2, 19X9 TIME: 6:30 amSITE SUPERVISOR: Sally BrownPREPARATION VENDOR / SELF-PREP.: Self-PreparationINDEPENDENT AUDITOR: Bean, Bean & Counter, C.P.A.'s

	YES	NO	N/A	COMMENTS
1. Are meal count and site labor records completed daily?				
2. Does information entered on the site report include as a minimum:				
a. Name and address of site?				
b. Number of meals by type prepared or received?				
c. Number of meals by type served to children as first meals and as second meals?				
d. Number of meals served to adults (program adults and non-program adults)?				
e. Number of children attending the site?				
f. Date and site supervisor's signature?				

	YES	NO	N/A	COMMENTS
3. Are meals served to adults who are not employed in the food service program recorded and paid for? (Record number of meals sold and amount of cash received.)				
4. Are cash collections properly safeguarded?				
5. Are cash collections deposited intact and on a timely basis?				
6. Are meals counted upon delivery at site?				
7. Is site control adequate?				
8. Are all meals consumed within the designated eating time?				
9. Are second meals served to children only after first meals have been consumed?				
10. Does the site have an accurate method of getting a meal count?				
11. Is the number of meals prepared or delivered sufficient for the number of children in attendance?				
12. Does the number of leftover meals appear to be reasonable?				
13. Are daily deliveries of meals to sites adjusted because of changing attendance?				
14. Are meals delivered in excess of the site's approved level of meal service?				
15. Are leftover meals returned to preparation site for credit or held over properly for next day use?				
16. Are health and safety standards maintained?				
17. Is there a valid health certificate on hand?				

Other Comments:

Required Footnote Disclosure:

Testing of the Sponsor's internal controls and compliance has been documented in the Auditor's working papers.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Examination of the Statement of Claim
Performed in Accordance With Government Auditing and Attestation Standards**

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Summer Food Services Program for Children (SFSPC) (Sponsor Agreement No. xxxx-xxT) as summarized in the Statement of Claim for the period from June 27, 19X9 through September 2, 19X9 and have issued our report thereon dated September XX, 19X9. We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, dated March 5, 1999, for examinations of this program.

Compliance

As part of obtaining reasonable assurance about whether the **XYZ Child Development, Inc.'s** claims for reimbursement as summarized in the Statement of Claim is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying supplementary schedule, Exhibit C.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinion on the Statement of Claim and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Claim. A reportable condition is described in Exhibit C.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement of Claim being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting during the first two weeks of operation that we have reported to management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

**Independent Accountant's Report on Compliance With Requirements Applicable
to the Federal Program and on Internal Control Over Compliance and
Financial Reporting in Accordance With the Program-Specific Audit Option
Under OMB Circular A-133 and Attestation Standards Made as a Part
of a Program-Specific Examination of the Statement of Claim**

Board of Directors
XYZ Child Development, Inc.

Compliance

We have examined management's assertion about **XYZ Child Development, Inc.'s** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Summer Food Services Program for Children (SFSPC) included in the accompanying statement of claims for reimbursement submitted by the Sponsor in Agreement No. xxxx-xx-T as summarized in the Statement of Claim for the period from June 27, 19X9 through September 2, 19X9 is adequate to meet the criteria established by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, dated March 5, 1999. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **XYZ Child Development, Inc.'s** management. Our responsibility is to express an opinion on **XYZ Child Development, Inc.'s** compliance based on our examination.

We conducted our examination of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and included tests of the program and accounting records prescribed by the *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Those standards and OMB Circular A-133 require that we plan and perform the examination to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the SFSPC occurred. An examination includes testing evidence about **XYZ Child Development, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of **XYZ Child Development, Inc.'s** compliance with those requirements

In our opinion, **XYZ Child Development, Inc. 's** assertion that it complied with the requirements referred to above that are applicable to its SFSPC for the period from June 27, 19X9 through September 2, 19X9 is fairly stated , in all material respects. However, the results of our examination procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings, and Questioned Costs as item X9-3.

Internal Control Over Compliance

The management of **XYZ Child Development, Inc.** is responsible for establishing and maintaining effective control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on its SFSPC in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item X9-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We have also identified immaterial instances of noncompliance and internal control weaknesses that we have reported to the management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

Board of Directors
XYZ Child Development, Inc.

In planning and performing our examination of **XYZ Child Development, Inc.'s** (Sponsor) Summer Food Service Program for Children (SFSPC) (Agreement number xxxx-xxT), as summarized in the Statement of Claim for the period from June 27, 19X9 to September 2, 19X9 and issued in our report thereon dated September XX, 19X9, we made a study and evaluation of the Sponsor's accounting system and internal controls. Our study and evaluation was performed, in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* and the audit guide issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide, Food and Nutrition Service - Summer Food Service Program for Children*, No. IG-7027.8N, dated March 5, 1999, during the first two weeks of the Sponsor's program operation to determine whether or not its internal controls and operating systems meet the regulatory requirements of the SFSPC.

The objective of internal and management controls is to provide reasonable, but not absolute assurance as to (1) the accuracy of Sponsor's records for preparation of financial reports, (2) maintenance and integrity of site records, (3) proper segregation, accumulation, and documentation of SFSPC costs, (4) adequate Sponsor and site personnel training, (5) participation by Sponsor in other Federal, State and local programs, and (3) compliance with regulations and guidelines.

In our opinion, the management's internal control procedures and its operating system are in general agreement with procedures and regulations prescribed in Federal Regulations and the U.S. Department of Agriculture guidelines, except for the nonmaterial instances of noncompliance and internal control weaknesses, as follows:

1. Condition:

Recommendation:

Sponsor's Comment:

Impact on Claim:

A2.4-23

Management Letter

2. Condition:

Recommendation:

Sponsor's Comment:

Impact on Claim:

The information contained in this report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

A2.4-24

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN EXAMINATION OF THE
STATEMENT OF CLAIM PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING AND ATTESTATION STANDARDS**

A2.1.2-18-19

Program-Specific Examination

**XYZ Child Development, Inc.
Fiscal Year Ended June 30, 19X9**

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XYZ Child Development, Inc.

GENERAL INFORMATION

June 30, 19X9

1. Full official name of the agency XYZ Child Development, Inc.
2. Program name and agreement number:

California Department of Education, Child and Adult Care Food Program,
Agreement No. xx-xxxx-x-F
4. Type and Description of agency Tax-exempt, Nonprofit
corporation providing educational programs for the care of children outside their homes.
4. Address of agency headquarters 1000 N. Main Street
Smalltown, CA 9xxxx
5. Names and address of Executive Director
and name of Chief Executive Officer, Business
Officer, or Accountant

Executive Director Gina Anonymous
2000 S. Child Drive
Smalltown, CA 9xxxx

Business Officer Joe McNice
6. Telephone number (916) 555-1212
7. Period covered by examination July 1, 19X8 through June 30, 19X9
8. Number of days of agency operation 250 days
9. Scheduled hours of operation each day 7:00 a.m to 6:00 p.m

Accountant's Letterhead

Independent Accountant's Report

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9.

Our examination was made in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

In our opinion, the aforementioned claims present fairly, in all material respects, the number of meals and/or supplements eligible for CACFP reimbursement for the period July 1, 19X8 through June 30, 19X9.

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 19X9, on our consideration of **XYZ Child Development, Inc.'s** internal control over financial reporting and our tests of CACFP compliance with certain provisions of laws, regulations, contracts and grants.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.

STATEMENT OF CLAIM

Agreement No.: xx-xxxx-x-F
19X9 Child and Adult Care Food Program
For the Period July 1, 19X8 to June 30, 19X9

Reimbursement per Examination (Supported by Exhibits A - I as needed)	\$ 2,008,892
Program Reimbursements Claims and Received*	<u>\$ 3,821,397</u>
Amount Due From Agency	<u>\$ 1,812,505</u>

Footnotes:

* Actual reimbursements received from administering agency should also include administrative reimbursement received for FDCH's.

Should also include income that accrued to the program.

A footnote should reflect if the CACFP claims for reimbursement have been paid or not.

Should also include revised claims.

Auditor's Letterhead

Independent Accountant' s Report on Supplementary Information -

Board of Directors
XYZ Child Development, Inc.

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9, and have issued our report dated September XX, 19X9.

We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

Our examination was made for the purpose of forming an opinion on the aforementioned CACFP claims of **XYZ Child Development, Inc.** taken as a whole. The accompanying supplementary information in Exhibits A through J is presented on pages A2.1.2-5 through A2.1.2-17 for purposes of additional analysis and is not a required part of the Statement of Claim. The information in those exhibits has been subjected to the examination procedures applied in the examination of the Statement of Claim and, in our opinion, is fairly stated in all material respects, in relation to the CACFP claims for reimbursement as summarized in the Statement of Claim taken as a whole.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

XYZ Child Development, Inc.

SUMMARY OF CLAIM

Placeholder

<INSERT> File/Location: OEA\Louie\DayCareHomesSummary of Claim

XYZ Child Development, Inc.
Schedule of Reported, Adjusted, and Allowed Meals, Sites
and Earned Reimbursement

Placeholder

<INSERT> **File/Location: OEA\Louie\ExhibitBDaycareHomes**
 - "Sheet 1" Sheet Tab

XYZ Child Development, Inc.
Schedule of Reported, Adjusted, Allowed Meals and Homes

Placeholder

**<INSERT> File/Location: OEA\Louie\ExhibitCDaycareHomes
- "Sheet 1" Sheet Tab**

A2.1.2-7

Determination of Allowable Administration Reimbursement

Placeholder

<INSERT> **File/Location: OEA\Louie\ExhibitDDaycareHomes**
 - "Sheet 1" Sheet Tab

A2.1.2-11

Exhibit E

Placeholder

<INSERT> **File/Location: OEA\Louie\ExhibitEDaycareHomes**
 - "Sheet 1" Sheet Tab

A2.1.2-12

Exhibit F

<INSERT> File/Location: OEA\Louie\ExhibitFDaycareHomes
- "Sheet 1" Sheet Tab

A2.1.2-13

Exhibit G

XYZ Child Development, Inc.
Determination of Budget Deficit (Adjustments)

<INSERT> File/Location: OEA\Louie\ExhibitGDaycareHomes
- "Sheet 1" Sheet Tab

A2.1.2-14

Exhibit H

XYZ Child Development, Inc.
Determination of Allowed Provider Payments

<INSERT> File/Location: OEA\Louie\ExhibitHDaycareHomes
- "Sheet 1" Sheet Tab

A2.1.2-15

Exhibit I

XYZ Child Development, Inc.

Statement of Monetary Claims and Questioned Costs
Agreement No.: xx-xxxx-x-A

19X9 Child and Adult Care Food Program
For the Period July 1, 19X8 to June 30, 19X9

<u>Detail No.:</u>	<u>Description of Exception</u>	<u>Amount</u>
1	Finding X9-1	\$
2	Finding X9-3	\$
3		
4		
Total to be Collected from Agency/Reimbursed to Agency:		<u>\$</u> _____:

A2.1.2-16

Exhibit J

XYZ Child Development, Inc.
Notes to the Schedules
Agreement No.: xx-xxxx-x-A

19X9 Child and Adult Care Food Program

NOTE 1: GENERAL INFORMATION

XYZ Child Development, Inc.(the Agency) was incorporated as a non-profit corporation in 1967 to provide educational programs for the care of children outside their homes. The Agency has been granted tax-exempt status by the Internal Revenue Service under Section 501©(3) and California Franchise Tax Board under Section 23701(d). The Agency is funded by the California Department of Education (CDE). Also, the Agency receives funds from private donations. This report includes an opinion only on the activity of the CACFP program. The source of funding for the CACFP program is the United States Department of Agriculture and CDE.

NOTE 2: CLAIM PREPARATION

Fixed Percentage Claiming Method:

The Fixed Percentage Claiming Method requires each Agency to accurately categorize and report the enrollment data by eligibility category (i.e. free, reduced-price and base) at least one time of the fiscal year. The percentages established become the Agency's "fixed" percentage for the fiscal year. Meals claimed are reimbursed based on the calculated fixed percentages for each category. The fixed percentages remain in effect for the entire fiscal year unless the Agency chooses to submit new enrollment data in order to adjust the percentages and maximize reimbursement. However, an agency must submit new enrollment data during the year if (1) the agency adds a new site, (2) the average daily participation for the claim month exceeds the total enrollment previously reported, or (3) to correct a reporting error.

The percentage for each category becomes the Agency's "fixed" percentage used to determine reimbursement for the fiscal year. Meals claimed are reimbursed based on the calculated "fixed" percentages for each category. The percentages may be adjusted by the Agency to either accurately categorize or submit new enrollment data into free, reduced price, and base rate in order to maximize reimbursement should new facilities be added or others deleted.

A2.1.2-17

Accountant's Letterhead

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Examination of the Statement of Claim Performed in
Accordance With Government Auditing and Attestation Standards**

We have examined the accompanying statement of claims for reimbursement submitted by **XYZ Child Development, Inc.** under the Child and Adult Care Food Program (CACFP) (Sponsor Agreement No. xx-xxxx-x-F) as summarized in the Statement of Claim for the period from July 1, 19X8 through June 30, 19X9 and have issued our report thereon dated September XX, 19X9. We conducted our examination in accordance with the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included tests of the program and accounting records prescribed by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999, for examinations of this program.

Compliance

As part of obtaining reasonable assurance about whether the **XYZ Child Development, Inc.'s** statement of CACFP claims for reimbursement as summarized in the Statement of Claim is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of material noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items, X9-1.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered **XYZ Child Development, Inc.'s** internal control over financial reporting in order to determine our examination procedures for the purpose of expressing our opinion on the Statement of Claim and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **XYZ Child Development, Inc.'s** ability to record, process, summarize and report financial data consistent with the assertions of management in the Statement of Claim. A reportable condition is described in the accompanying schedule of findings and questioned costs as item, X9-2.

A2.1.2-18

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement of Claim being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting and compliance that we have reported to management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9

A2.1.2-19

Accountant's Letterhead

**Independent Accountant's Report on Compliance With Requirements Applicable
to the Federal Program and on Internal Control Over Compliance and
Financial Reporting in Accordance With the Program-Specific Audit Option
Under OMB Circular A-133 and Attestation Standards Made as a Part
of a Program-Specific Examination of the Statement of Claim**

Board of Directors
XYZ Child Development, Inc.

Compliance

We have examined management's assertion about **XYZ Child Development, Inc.**'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Child and Adult Care Food Program (CACFP) included in the accompanying statement of claims for reimbursement submitted by the Sponsor in Agreement No. xx-xxxx-x-F as summarized in the Statement of Claim is adequate to meet the criteria established by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA), as set forth in its *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, dated February 18, 1999. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of **XYZ Child Development, Inc.**'s management. Our responsibility is to express an opinion on **XYZ Child Development, Inc.**'s compliance based on our examination.

We conducted our examination of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Statement of Standards of Attestation Engagements* established by the American Institute of Certified Public Accountants and included tests of the program and accounting records prescribed by the *Audit Guide for Audits of Child and Adult Care Food Program Institutions*, No. 27029-2, issued by the Office of the Inspector General of the United States Department of Agriculture (OIG-USDA) for examinations of this program. Those standards and OMB Circular A-133 require that we plan and perform the examination to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CACFP occurred. An examination includes testing evidence about **XYZ Child Development, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of **XYZ Child Development, Inc.**'s compliance with those requirements

In our opinion, **XYZ Child Development, Inc.**'s assertion that it complied with the requirements referred to above that are applicable to its CACFP for the year ended June 30, 19X9, is fairly stated, in all material respects. However, the results of our examination procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings, and Questioned Costs as item X9-3.

A2.1.2-20

Internal Control Over Compliance

The management of **XYZ Child Development, Inc.** is responsible for establishing and maintaining effective control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our examination, we considered **XYZ Child Development, Inc.**'s internal control over compliance with requirements that could have a direct and material effect on its CACFP in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **XYZ Child Development, Inc.**'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item X9-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We have also identified immaterial instances of noncompliance and internal control weaknesses that we have reported to the management of **XYZ Child Development, Inc.** in a separate letter dated September XX, 19X9.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September XX, 19X9